

# Anti-Fraud Legislation

## Background

Every year, the average Washington household pays nearly \$200 in additional insurance premiums that can be directly attributed to insurance scams and fraud, according to estimates by the National Insurance Crime Bureau. Washington ranks 18th in the nation in total property and casualty premium volume, but we're way out in front (#11) for questionable claims payments. A primary reason is that Washington doesn't have a dedicated anti-fraud unit that is charged with detecting, investigating and prosecuting this costly crime. Washington is in the minority compared to the 41 states that do have anti-fraud units. Washington insurers are being targeted by scammers as a result.

Insurance fraud ranges from false or inflated claims to staged vehicle collisions and organized scams, such as medical mills and billing for services not rendered. Regardless of the type of fraud, the bottom line is that fraud costs everyone, from the insurer to the consumer.

## How it works

Everyone recognizes that insurance fraud is a serious problem. Unfortunately, local and state law enforcement agencies just don't have the resources to pursue this type of white-collar crime. Even when insurance scammers are detected and caught, prosecutors' caseloads and court dockets are overloaded and jammed with the perpetrators of more heinous crimes.

Insurance Commissioner Mike Kreidler proposes the creation of a small anti-fraud unit within the Office of the Insurance Commissioner. It would include a staff of four investigators, a research analyst and administrative support. Additionally, the program would include funding to provide an investigator at the Washington State Patrol's auto theft prevention unit and a prosecutor in the state Attorney General's Office. There also would be funding available to provide grants and reimbursement to local government to prosecute insurance fraud cases.

## No public funding needed

Kreidler will pay for the fraud unit from the agency's Regulatory Fund, a budget source that is separate and independent from the state's taxpayer-supported General Fund. The Regulatory Fund pays for regulation of the state's insurance industry, with assessments paid by insurers who transact business in Washington. No taxpayer funding is required. Kreidler simply needs the Legislature's approval to spend Regulatory Fund dollars on the anti-fraud unit.

## Start small

The plan is purposely designed to start small in order to find effective ways to detect, investigate and prosecute insurance scammers, and gradually build a track record. The

unit's primary focus will be high-impact cases involving organized criminal activity, including sophisticated ploys of unscrupulous attorneys, physicians, clinics and others who conspire to defraud insurers.

The strength of the unit will be its singular focus on insurance fraud, and the commitment to find and investigate fraud crimes and then prosecute the perpetrators to the fullest extent of the law.

## Accountability

Under Kreidler's plan, the anti-fraud unit will prepare an annual report, documenting progress and reporting other information to the Legislature. In addition, an eight-member insurance fraud advisory board will be created – including industry representatives – to advise the Insurance Commissioner and the Legislature on the unit's effectiveness and its use of resources. The plan calls for a review and assessment in 2010 to determine if the unit should be expanded.

## Sending a message

Right now, Washington's lack of a dedicated anti-fraud unit sends a strong message to insurance scammers and fraud schemers. It says that Washington offers a rich opportunity where slick operators can operate and flourish with impunity. The creation of an anti-fraud unit will change that message. And as the unit builds a track record and expands its reach, Washington will be sending a new message to insurance scammers:

"Stay away! You aren't wanted here, and your activities won't be tolerated."